



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 02/04/03

AGENDA ITEM _____

WORK SESSION ITEM WS 2

TO: Mayor and City Council
FROM: Director of Public Works
SUBJECT: Hayward Executive Airport Land Use Development Study

RECOMMENDATION:

It is recommended that the Council review and comment on this report.

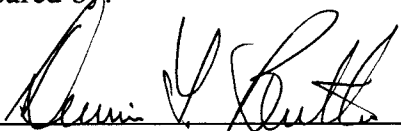
BACKGROUND:

At its meeting of April 9, 2002, City Council authorized the City Manager to execute an agreement for professional consultant services with Economic & Planning Systems Inc. ("EPS") to assist the City in identifying the best uses of available land situated along Hesperian Boulevard and in targeting specific retail and commercial users for the vacant land.

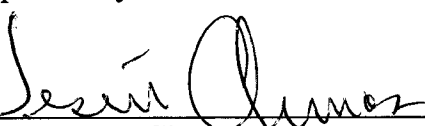
EPS presented the Hayward Airport Land Use Development Program (the "Report") to Council's Airport Committee on January 23. The Committee was in general agreement with the conclusions of the report and was supportive of retaining a real estate firm to market the properties. The Committee also requested that this subject be placed on the next available work session agenda for discussion of suggested land uses, as described in the report.

The January 23 Council's Airport Committee Staff Report is attached for your review.

Prepared by:


Dennis L. Butler, Director of Public Works

Approved by:


Jesús Armas, City Manager

Attachment: January 23, 2003 Staff Report to the Council Airport Committee



CITY OF HAYWARD STAFF REPORT

AGENDA DATE 01/23/03

AGENDA ITEM 2

TO: Council's Airport Committee

FROM: Director of Public Works

SUBJECT: Status Report on Land Use Development Study

RECOMMENDATION:

It is recommended that the Council's Airport Committee review and comment on this report.

BACKGROUND:

The consulting firm of *Economic & Planning Systems, Inc.* ("EPS"), was selected by the City to prepare a Land Use Development Program of specific sites on Airport property (Exhibit A page 2). The City desires to utilize vacant Airport property for business development, community improvement, and revenue enhancement. There are nearly eleven (11) acres of Airport property situated along Hesperian Boulevard that are currently vacant. Moreover, pending the closure of the Festival Cinema, this parcel will add an additional 8.12 acres of Airport property for reuse and development. The Hayward Airport Land Use Development Program (the "Report") documents existing retail, office, industrial, hotel/conference facilities and entertainment conditions to help explore specific market opportunities for these venues. The Report also includes analysis of research and development uses, as well as restaurants.

The consultant's work product takes into consideration discussions and meetings held with City Councilmembers (worksession), Council's Airport Committee, general public, aviation and nonaviation Airport tenants, as well as City staff. All comments were considered in the planning process.

Upon initiation of the Study, flyers were distributed to all residences and businesses within a 300' radius of Hesperian Boulevard, between West 'A' Street and West Winton. In addition, separate flyers were sent to all tenants and commercial operators on the Airport, as well as to homeowner's in the Skywest Townhomes (north of Skywest Golf Course) and the Longwood/Winton Grove Task Force.

DISCUSSION:

The Summary of Findings and Recommendations from the Report is attached as Exhibit A. Table 1 of the Summary outlines prospective land uses for each of the 6 parcels within the Study Area.

Parcels 1 and 2, currently occupied by the Festival Cinema, are recommended for regional retail use. Given the size of this parcel, it was felt that it could likely attract a retail use that would serve the entire region and not just local shoppers. While some potential tenants are identified, it should be emphasized that these firms have neither been contacted nor have they inquired about this parcel. In fact, it is not known if these firms are currently interested in expanding.

Parcel 3 is recommended as a restaurant site. Parcel 4 has been identified for meeting facilities, possibly in connection with the Executive Inn. Parcel 5 is identified as an industrial/flex site, although the study notes a current lack of demand for this type of development. Parcel 6 is identified for recreational use, such as a bowling complex. The study does not show support for a new multiplex movie theater within the Study Area, due to the current oversupply of theater screens in the immediate vicinity.

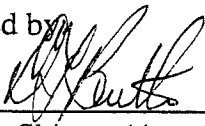
One consideration that needs to be kept in mind is the need to achieve "market rate" lease revenue from these parcels. Because these properties are located at the Airport, the FAA will require assurances that the revenue received by the Airport for ground leases reflects the current market conditions. The City cannot, therefore, "write down," the value of the land to attract a desired tenant, without making up the revenue loss to the Airport from some other source. This fact may limit desirable recreational uses, as they may not be able to support the required lease payments.

Recommended Next Steps:

After reviewing the Report, staff recommends retaining a firm to actively market the properties. Staff believes that a real estate marketing firm could also sub-contract for the site-specific layout work necessary for the marketing to proceed.

Nicole Brown-Graham, a Senior Associate with Economic Planning Systems (EPS), and mainly responsible for preparation of the Report, will be available at the meeting to answer any questions that the Committee may have.

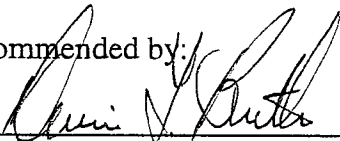
Prepared by:



for

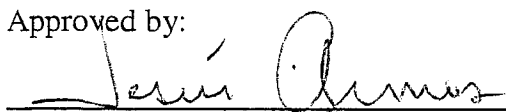
Brent S. Shiner, Airport Manager

Recommended by:



Dennis L. Butler, Director of Public Works

Approved by:



Jesús Armas, City Manager

SUMMARY OF FINDINGS AND RECOMMENDATIONS

This Report provides an analysis of the economic and market conditions relevant to the preparation of a Land Use Development Program for six properties at the Hayward Executive Airport. The findings of this Report are intended to assist the City of Hayward in land use planning for a collection of properties, referred to herein as the Study Area, comprising nearly 19 acres of land designated for non-aviation use at the Airport (Figure 1). The analysis focuses on the market performance of potential retail, office, industrial, hotel, and entertainment uses within the Study Area.

MARKET FINDINGS

Based on a review of retail, office, industrial, hotel, and entertainment market dynamics in the Hayward area, a potential land use development program has been prepared, which is shown in Table 1. In addition, a series of findings and recommendations have been made related to each of the land uses studied. These findings are summarized below and are also documented in Table 2.

1. *Retail.* Based on an analysis of retail market conditions and trends, it appears that between 90,000 and 145,000 square feet of retail space can be supported within the Study Area, including 20,000 to 35,000 square feet of comparison-oriented retail goods. Potential tenants might include CompUSA, Breuners Home Furnishings, Linens 'n' Things, and Mattress Discounters.

In addition, Safeway has expressed interest in developing a large grocery store on the parcel currently occupied by Festival Cinemas. Because considerable unmet demand for grocery goods exists both in the City and the Study Area, the City should consider pursuing this concept. It should be noted, however, that grocery uses typically do not maximize revenue potential for cities due to typically lower lease and sales tax revenues. Yet, traffic generated by both a grocery use and the other retailers identified above will likely prove helpful in attracting a restaurant tenant, such as Chili's. In Table 1, retail is identified for Study Area Parcels 1, 2 and 3. However, the suitability of these sites should be studied further by a physical planner, as described in the following section.

2. *Office and Industrial.* A review of existing vacancies, planned supply, and future demand for office and industrial flex space generated by employment growth in the region indicates that demand for new supply in Hayward may not materialize for a number of years. However, development can be expected to occur as specific site opportunities arise. Table 1 shows a modest amount of industrial flex space for Study Area Parcel 5 in the event such opportunities arise. Again, the specific conditions of this parcel should be studied by a physical planner before any decisions are made related to this site.

Figure 1
Map of Study Area Parcels at Hayward Executive Airport

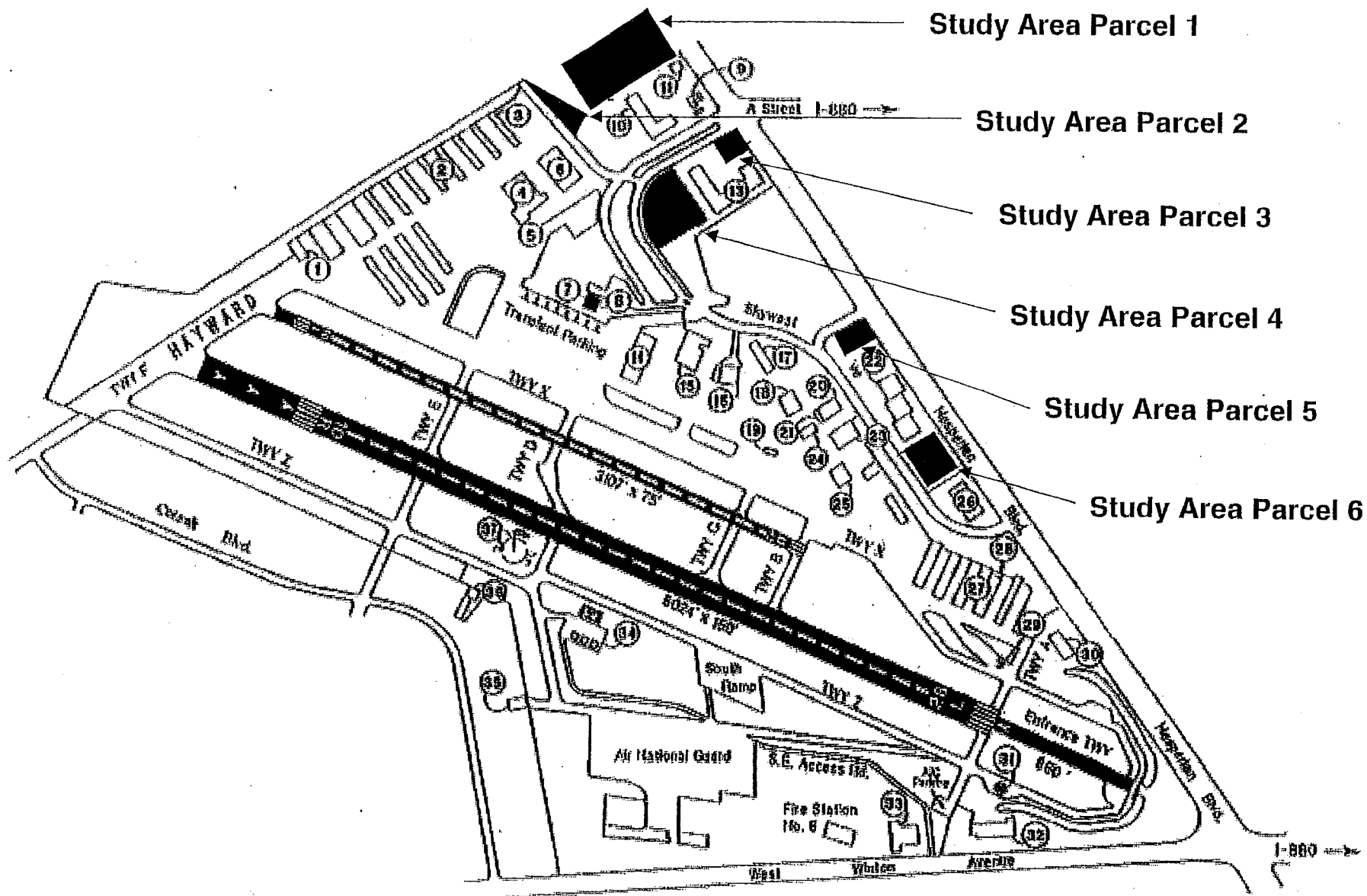


Table 1
Potential Land Use Development Program
Hayward Airport Land Use Program; EPS #11230

Parcel	Location	Existing Use	Parcel Size		Prospective Land Use		
			Acres	Land SF	Land Use	FAR (1)	Built SF
				(A)		(B)	(C) = (A) * (B)
1,2	Golf Course Road between Hesperian and Skywest Drive	Theatre/Vacant	8.12	353,707	Regional Retail	0.25	88,400
1,2	Golf Course Road between Hesperian and Skywest Drive	Theatre/Vacant	1.00	43,560	Retail	0.25	10,900
3	Hesperian Boulevard and West A Street	Vacant Parcel	0.50	21,780	Restaurant/Bar	0.25	5,400
4	Skywest Drive and West A Street	Vacant Parcel	3.40	148,104	Meeting Facilities	0.30	44,400
5	Hesperian Boulevard and Sueirro Street	Vacant Parcel	2.20	95,832	Industrial Flex	0.40	38,300
6	Hesperian Boulevard South of Suirero Street	Vacant Parcel	<u>3.68</u>	<u>160,301</u>	Entertainment	0.40	<u>64,100</u>
Total			18.90	823,284			251,500

(1) Floor-area ratios are based on standard industry assumptions for each land use.

Source: City of Hayward; Economic & Planning Systems Inc.

Table 2
Summary of Recommendations by Land Use Type
Hayward Airport Land Use Program; EPS #11230

Land Use Description		Building Square Feet	Potential Tenants	Recommended Location In Study Area		Comments
				Optimal Site	Alternative Site	
<u>Retail</u>						
Comparison Goods	15,000 - 30,000	CompUSA, Breuners, Linens-n-Things, Mattress Discounters, SportMart	Parcel 1/Parcel 2	Parcel 5	Combining Parcels 1 and 5 would create a larger development pad that could accommodate more retail space. This strategy would likely be preferred by potential tenants.	
Convenience Goods	65,000 - 100,000	Safeway, Albertson's, or other Grocery Retailer	Parcel 1/Parcel 2	Parcel 5		
Restaurant	5,000 - 10,000	Chili's Restaurant	Parcel 3	Parcel 1/Parcel 2		
<u>Office</u>						
All Sub-Categories	None	None Recommended	---	---	Projected demand does not warrant speculative office development at this time.	
<u>Industrial</u>						
Industrial/Flex	0 - 50,000	None Recommended	Parcel 5	Parcel 6	Projected demand does not warrant speculative development of Industrial/flex at this time, but demand may materialize within 5 to 10 years.	
<u>Hotel/Conference</u>						
Hotel Rooms	None	None Recommended	---	---	Projected demand does not warrant speculative office development at this time.	
Meeting Facilities	40,000 - 50,000	Executive Inn	Parcel 4	---	Interviews with Executive Inn suggest interest in expansion of existing meeting facilities.	
<u>Entertainment</u>						
Bowling Complex	40,000 - 80,000	AMF Bowling, Independent Operators	Parcel 6	Parcel 1	In light of retailers' preferences to be located in a shopping center with other stores, Parcel 6 is the optimal location for a bowling complex.	

Source: Economic & Planning Systems, Inc.

3. *Hotel/Conference Facilities.* The performance of Hayward's existing hotels does not appear to warrant new hotel development at this time. Projected hotel demand, generated by employment and residential growth in the region could support the addition of 35 new hotel rooms by 2020. However, demand for meeting facilities in the Hayward area appears strong and could support additional supply. Table 1 shows meeting facility space on Study Area Parcel 4, immediately west of the Executive Inn, based on initial discussions with the hotelier.
4. *Entertainment.* A number of potential entertainment uses were reviewed in light of the individual site characteristics of the Study Area properties, market trends related to the specific entertainment use, and the City's stated goals for the Land Use Development Program at the Hayward Executive Airport. Based on this review, a 30-lane bowling alley complex with an arcade, billiard tables, and restaurant facilities appears to be a strong match for the Study Area. A multi-use bowling facility could find substantial market support and would also meet the City's objectives for the site. Table 1 identifies this use for Study Area Parcel 6, although Study Area Parcel 1 is likely able to accommodate this use as well.

RECOMMENDED NEXT STEPS

The City should consider undertaking the following steps to move forward on the market findings identified above, and progress toward implementation of the Land Use Development Program:

1. *Develop a Distinctive Identity for the Study Area.* Among the goals identified for the Land Use Development Program at the Hayward Executive Airport, the City has expressed a desire to create a mix of land uses and design elements within the Study Area that will help establish the Airport as a prominent and attractive gateway to the City of Hayward. Perhaps the most important step that the City can take toward achieving this goal is to retain the expertise of a highly qualified physical planner to advise the City in creating a distinct and desirable identity for the Study Area by optimizing parcel configuration, land use orientation, and the integration of attractive design elements.

This step will be particularly important given the extensive supply of retail shopping centers in the immediate market area. In a highly competitive environment such as this, the City's ability to attract quality tenants to individual Study Area parcels will be heavily determined by the perception of the entire Study Area as a desirable shopping destination.

2. *Market Retail Parcels to Potential Tenants.* The City should consider retaining the services of a commercial real estate broker to begin marketing Study Area Parcels 1, 2, and 3 to potential retailers. Brokerage firms typically have established relationships with national retail chains such as the ones identified as

potential tenants, and are often in a better position than City staff to undertake marketing efforts. However, this step should not be initiated until after a physical planner confirms the retail suitability of the subject Parcels.

3. *Evaluate Feasibility of Meeting Room Facility Expansion.* Initial conversations with representatives of the Executive Inn revealed considerable interest on the part of corporate management in the possibility of expanding the hotel's existing offering of meeting room space. The City should consider initiating discussions with the Executive Inn to better gauge its level of interest and its willingness to invest in an expansion opportunity. The City might also consider commissioning a feasibility study with the Executive Inn that includes a more focused market study of meeting and convention space in the East Bay area, and a cash flow analysis of the potential expansion that addresses development and ongoing operational costs as well as projected revenues. Feasibility of the expansion can be evaluated by projecting the return on investment at a range of acceptable discount, or "hurdle" rates. This information will prove helpful as a decision making tool for both the hotelier and the City.
4. *Evaluate Feasibility of Developing a Bowling Complex.* Bowling facilities are frequently developed and operated by nationally recognized firms such as AMF, but quality complexes can also be successfully developed by smaller companies and local entrepreneurs. The City should consider initiating discussions with one of the industry's leading bowling firms to "shop" the idea of a multi-use bowling complex. It is important to keep in mind, however, that it may be difficult to attract the interest of larger bowling companies before the Study Area is "anchored" by well-known retail tenants that can provide a steady stream of customers. If this is the case, the City may be best served by commissioning a feasibility study of the bowling concept. Provided the conclusions of such an analysis support the development of a multi-use bowling complex, the feasibility study can be a valuable tool in attracting the investment of smaller bowling companies and local entrepreneurs.